



***Understanding food and beverage
sector in Republic of Korea***

October 2021

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Objective:

The objective of this document is to provide insights on South Korean food and beverage sector export opportunities.

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Acknowledgement and Disclaimer

Acknowledgement: This document was prepared with the help of funding provided by Australia-Korea foundation. The AFGC acknowledges the help and contribution of Australian embassy in Seoul for their contribution.

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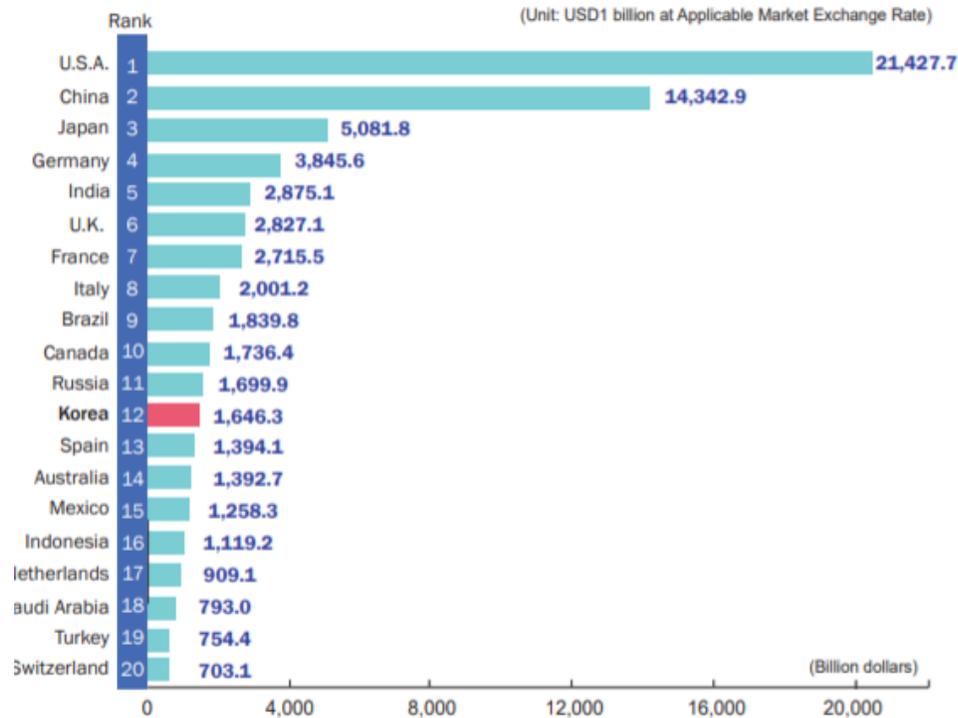
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SOUTH KOREA OVERVIEW



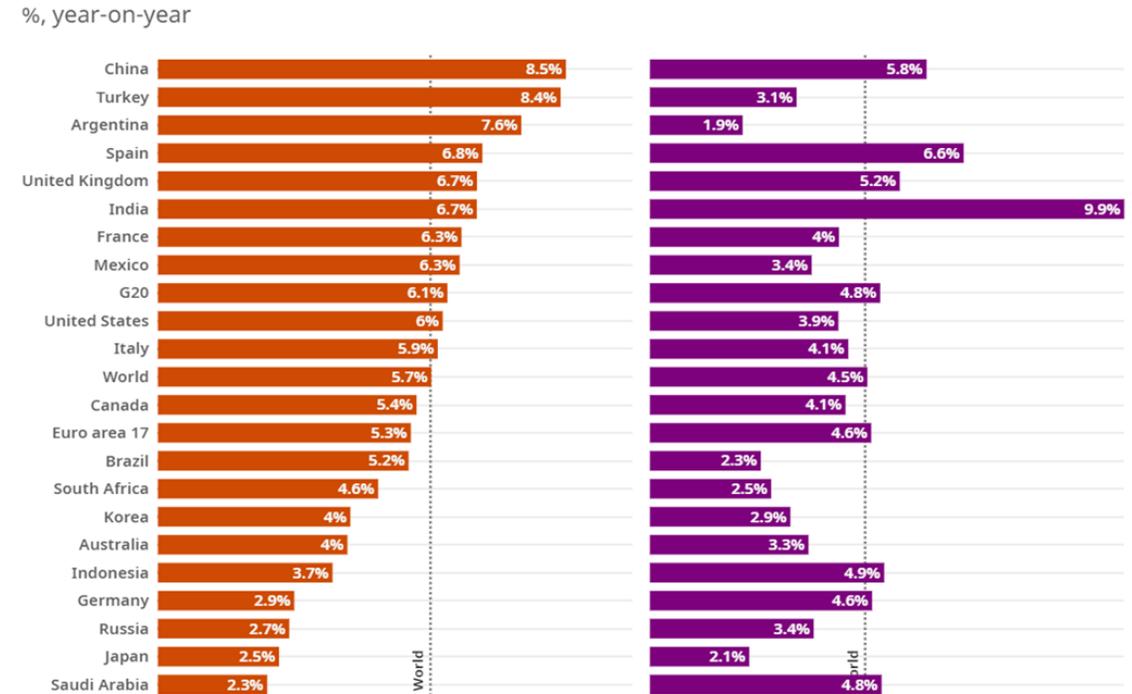
South Korean economy

GDP major economies, 2019



Source: The Bank of Korea, The World Bank

GDP growth 2021 and 2022



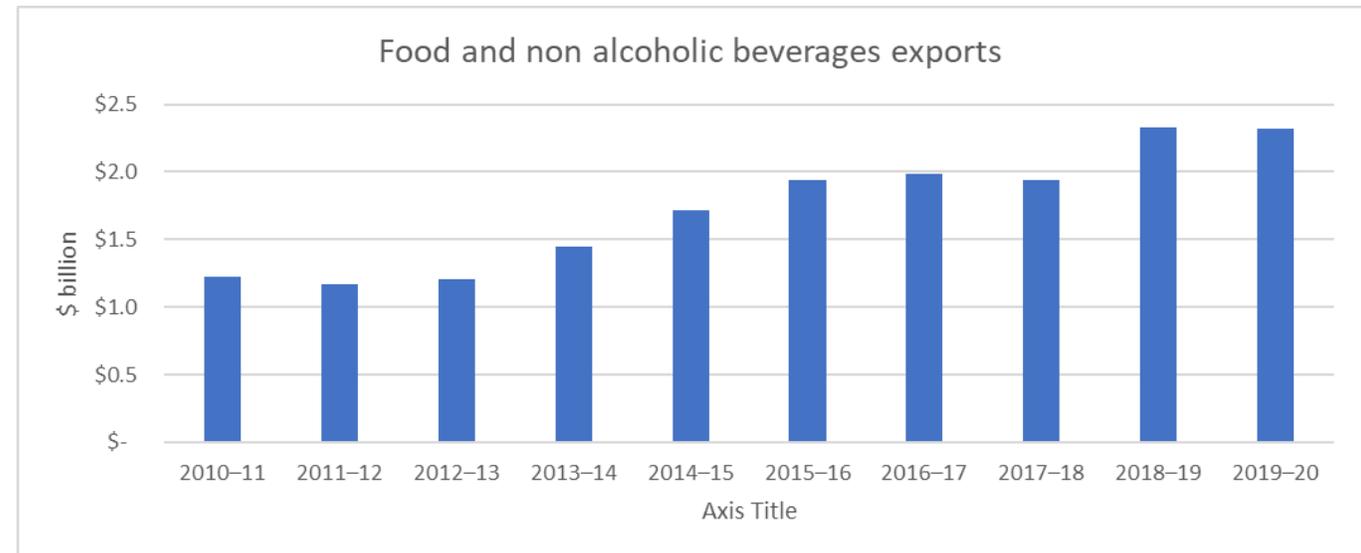
Source: OECD Economic Outlook, Interim Report September 2021

- South Korea is the 4th largest economy in Asia and 12th largest economy in the world, with GDP of about USD 1.6 trillion (2019) and per capita national income of approx. USD 31000.
- GDP is projected to grow at 4 percent in 2021 and 2.9 percent in 2022. (OECD Economic Outlook- September 2021)
- Rising incomes, preferences for high quality food and willingness to try new cuisines/trends creates opportunity for exports.



Australian food and beverage exports to South Korea

- South Korea was the 4th largest trading partner for food and non-alcoholic beverage exports in 2019/2020
- Australian food and beverage products are reputed to have high quality, safety and health credentials
- Key exporting categories include processed meat, prepared animal and bird feed manufacturing products and, grain mill-manufactured products, and cheese and other dairy products
- Korea-Australia FTA entered into force in Dec 2014 and eliminated tariffs on many agricultural products



KOREA-AUSTRALIA
FREE TRADE AGREEMENT



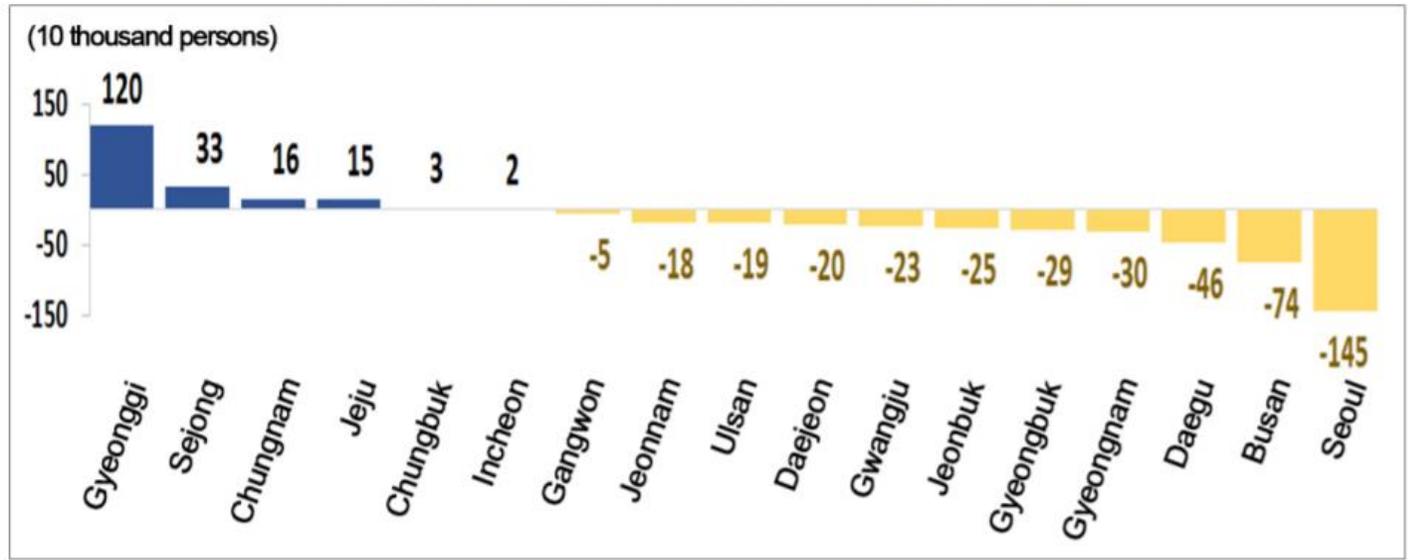
South Korea population

(Unit: 1,000 persons)

Rank	Country	Population	%	Rank	Country	Population	%
	The World	7,713,468	100.0	15	Vietnam	96,462	1.3
1	China	1,433,784	18.6	16	DR Congo	86,791	1.1
2	India	1,366,418	17.7	17	Germany	83,517	1.1
3	USA	329,065	4.3	18	Turkey	83,430	1.1
4	Indonesia	270,626	3.5	19	Iran	82,914	1.1
5	Pakistan	216,565	2.8	20	Thailand	69,626	0.9
6	Brazil	211,050	2.7	21	UK	67,530	0.9
7	Nigeria	200,964	2.6	22	France	65,130	0.8
8	Bangladesh	163,046	2.1	23	Italy	60,550	0.8
9	Russia	145,872	1.9	24	South Africa	58,558	0.8
10	Mexico	127,576	1.7	25	Tanzania	58,005	0.8
11	Japan	126,860	1.6	26	Myanmar	54,045	0.7
12	Ethiopia	112,079	1.5	27	Kenya	52,374	0.7
13	Philippines	108,117	1.4	28	South Korea	51,709	0.7
14	Egypt	100,388	1.3	53	North Korea	25,666	0.3

Source: Statistics Korea 'Population Projections', UN 'World Population Prospects'

< Change in the population by province (2017-2047) >



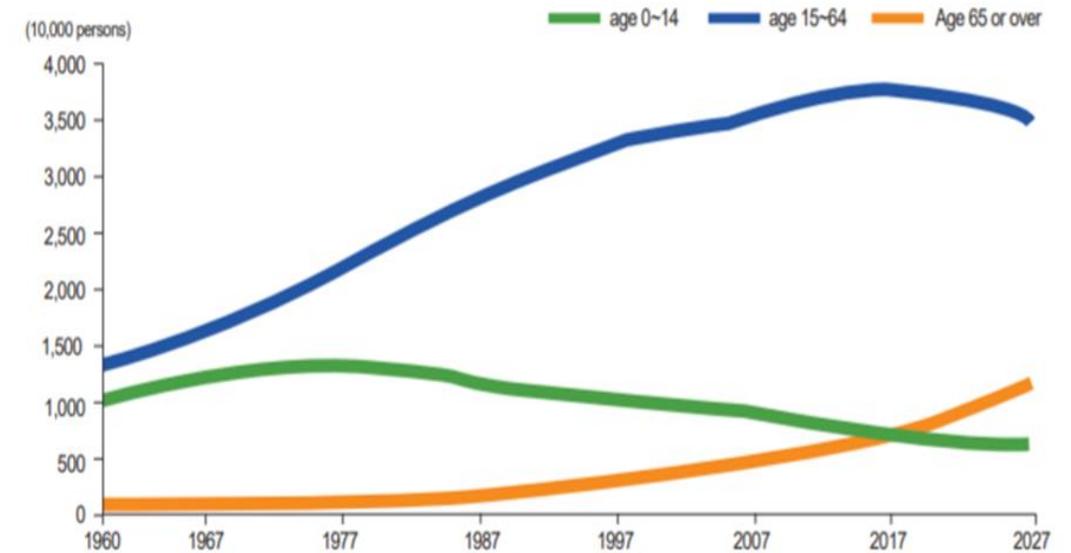
- South Korea has the 28th largest population in the world with over 50 million people
- Third most densely populated countries in the world among countries with >20 million population
 - 90 percent of Koreans living in urban areas
 - Over half of the total population lives in the Seoul Capital Area (Seoul, Incheon and Gyeonggi)
- The population is projected to increase in six provinces (Gyeonggi, Sejong, Chungnam, Jeju, Chungbuk and Incheon) for the 2017-2047 period and decrease in the other 11 provinces



Demographics

	Number of Households (1,000 households)	Percentage (%)					Average Number of Household Members (Person)
		One Generation	Two Generation	Three Generation	One-Person Households	Households of Unrelated Persons	
1970	5,576	6.8	70.0	22.1	-	-	5.2
1980	7,969	8.3	68.5	16.5	4.8	1.5	4.5
1990	11,355	10.7	66.3	12.2	9.0	1.5	3.7
2000	14,312	14.2	60.8	8.2	15.5	1.1	3.1
2010	17,339	17.5	51.3	6.1	23.9	1.2	2.7
2015	19,111	17.4	48.8	5.4	27.2	1.1	2.5
2016	19,368	17.2	48.3	5.2	27.9	1.4	2.5
2017	19,674	17.6	47.4	4.8	28.6	1.6	2.5
2018	19,979	18.0	46.5	4.5	29.3	1.7	2.4
2019	20,343	18.4	45.3	4.1	30.2	1.9	2.4

Source: Statistics Korea 'Population Census,



- Aging population and trend towards small family and single households
- One-generation and one-person households are continuously increasing, while the most common type, two-generation households, and three-generation or more households are continuously decreasing
- Declining birth rates



Large proportion of household consumption spend on food and non-alcoholic beverages

Monthly average consumption expenditure per household

(Unit: KRW 1,000, %)

	2017		2018		2019	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Number of Household Members	2.46		2.43		2.41	
Age of Householder	51.6		51.8		52.3	
Consumption Expenditure	2,557	100.0	2,538	100.0	2,457	100.0
Food and Non-Alcoholic Beverages	360	14.1	367	14.4	333	13.5
Alcoholic Beverages and Tobacco	35	1.4	35	1.4	36	1.5
Clothing and Footwear	159	6.2	152	6.0	138	5.6
Housing, Water, Light and Heat	283	11.1	285	11.2	277	11.3
Housewares and Housekeeping Services	112	4.4	117	4.6	115	4.7
Health	182	7.1	191	7.5	202	8.2
Transportation	369	14.4	349	13.7	296	12.0
Communication	138	5.4	134	5.3	123	5.0
Entertainment and Culture	175	6.8	192	7.6	180	7.3
Education	188	7.4	173	6.8	205	8.3
Restaurant and Accommodation	354	13.9	350	13.8	346	14.1
Other Goods and Services	202	7.9	192	7.6	206	8.4

Note: Based on households with one or more members

Source: Statistics Korea, 'Household Income and Expenditure Survey'

(Unit: %)

	The whole	Aged under 39	Aged 40-49	Aged 50-59	Aged 60 or over
Consumption Expenditure	100.0	100.0	100.0	100.0	100.0
Food and Non-Alcoholic Beverages	13.5	10.6	12.0	12.9	19.5

- 13.5% of the household spend on food and non-alcoholic beverage
- Spend on increases to 19.5 % of household spend for people > 60 years of age



Breakdown of monthly Korean household food expenditure (Won, per person)

Year	2015	2016	2017	2018	2019	2020	CAGR
People in a Household	2.64	2.58	2.46	2.43	2.41	2.40	-2%
Total Consumption Expenditure	830,682	839,182	1,039,359	1,044,297	1,019,368	1,000,051	4%
Total Food Expenditure	226,475	229,951	291,215	295,431	282,112	294,051	5%
Monthly Spending by Product Category							
Grains, Raw	6,900	6,053	6,623	8,098	7,683	8,061	3%
Grains, Processed	5,289	5,467	6,622	6,961	6,561	7,787	8%
Bakeries	7,263	7,228	9,160	9,591	9,278	10,257	7%
Meat, Fresh	18,056	18,691	22,289	22,761	20,212	25,130	7%
Meat, Processed	3,649	3,790	4,528	4,776	5,058	6,029	11%
Seafood, Fresh	6,933	6,807	9,305	9,304	7,758	9,213	6%
Seafood, Processed	5,015	4,967	6,484	6,161	5,454	6,243	4%
Dairies & Eggs	9,763	9,517	11,149	10,858	10,646	11,665	4%
Fat & Oil	1,022	964	1,224	1,206	1,070	1,371	6%
Fruits, Fresh & Processed	14,243	14,316	17,991	18,539	15,676	16,654	3%
Vegetables, Fresh & Processed	12,605	13,343	16,605	16,244	13,932	17,239	6%
Seaweeds	1,394	1,355	1,824	1,784	1,517	1,628	3%
Snacks & Confectionery	9,059	8,709	10,626	10,750	10,443	11,406	5%
Seasonings & Sauces	4,231	3,982	5,711	6,262	5,310	6,507	9%
Other Processed Foods	4,189	4,696	7,304	8,210	8,282	9,802	19%
Coffee & Tea	2,522	2,467	3,430	3,498	3,419	3,796	9%
Juice & Beverages	4,059	4,217	5,577	5,892	5,691	5,986	8%
Alcoholic Beverages	4,078	4,226	6,144	6,211	5,717	6,530	10%
Dining Outside Home	106,205	109,155	138,619	138,326	138,403	128,747	4%

Source: Monthly Household Expenditure Survey, Korea National Statistics Office

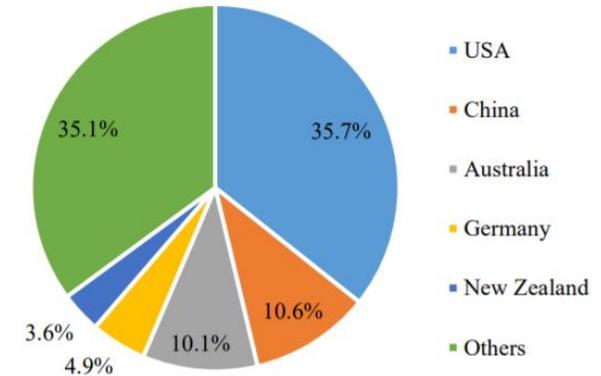
CHANNELS, TRENDS AND INSIGHTS



South Korea reliant on imports to meet food demand

Total agriculture product imports	Value (USD billion)
Basic products	\$ 5.3
Intermediate products	\$ 8.1
Consumer oriented	\$14.8
Seafood products	\$5.3
Forest products	\$2.7
Total	\$36.1

Key consumer-oriented competitors



Key imported consumer-oriented food (USD)

- Beef : \$ 2.9 B
- Pork : \$ 1.4 B
- Frozen Fish : \$1.2 B
- Dairy: \$ 1.1 B
- Bakery : \$348 M
- Confectionery: \$ 328M

- Domestic production meets less than 50 percent of food demand requiring imported food to meet demand



Retail channel dominated by grocery supermarkets

Channel	Company /Brand	Number of stores	Website
Grocery supermarket	Nongchukhyup / Hanaro Mart	2,153	nhhanaro.co.kr
	Lotte Shopping Co. / Lotte Super	453	lottesuper.co.kr
	GS Retail Co. / GS Supermarket	322	gssuper.com
	Homepuls Co. / Home Plus Express	342	homeplus.co.kr
	EMART, Inc. / EMART Everyday	240	emarteveryday.co.kr
	EMART, Inc / No Brand	270	emart.com
Hypermarkets	EMART, Inc. / EMART, Traders	161	emart.com
	Homeplus Co. / Home Plus	140	homeplus.co.kr
	Lotte Shopping Co. / Lotte Mart	113	lottemart.co.kr
	COSTCO Wholesale / COSTCO	16	costco.co.kr
Convenience stores	BGF Korea Co. / CU	14,923	bgfcu.com
	GS Retail Co. / GS25	14,688	
	Korea Seven Co. / Seven Eleven	10,501	7-eleven.co.kr
	EMART, Inc. / EMART24	4,488	emart24.co.kr
	Ministop Korea Co./ Ministop	2,607	ministop.kr

- Korean retail food sales totaled \$103 billion in 2020, accounting for 29 percent of total retail sales
- Grocery supermarkets, hypermarkets and convenience stores are major retail segments
- Grocery supermarkets lead the retailing channel with food sales amounting over 40 trillion South Korean Won



Food service Industry: Hotels/bars, restaurants and institutional (HRI) distribution

- Channel severely impacted by pandemic related restrictions and lower tourism
- Sale of food products to HRI channel totaled W144 trillion Korean Won (USD 121.3 billion) in 2019
- Monthly per capita spending on HRI reached ~ USD 133 in 2020
- Korean HRI food service sector depends on independent importers and distributors for imported food
- Leading HRI players looking to import directly
- Large scale distributors increasing share of sales to institutions



Sales via e-commerce grew over 50 percent in 2020

- e-Commerce is key component of consumer market in South Korea
- Almost 99.5 percent of Korean households have internet access via PC, mobile, or another device
- Food and beverages were the most popular products sourced from domestic online retailers in 2020, representing 12.4 percent of total e-Commerce sales
- Other categories sold online included home appliances and electronics (11.8 percent), food service (10.9 percent), cosmetics (7.7 percent)
- Popular foreign sourced products from online retailers by Koreans in 2020 included food and beverages (24.5 percent)
- Online purchases via foreign retail sites reached \$3.5 billion in 2020 with 44.5 percent purchases from US online retailers
- Common e-Commerce sites include [Naver](#), [Coupang](#) and [G-market](#)
- [Coupang global marketplace](#) (for entry strategy and testing the market)



NAVER



COUPANG



Gmarket
Korea No.1 Shopping site



Major buying holidays

Buying holidays

- Seollal (Lunar New Year's Day- Winter)
- Children's Day (May 5th)
- Parents' Day (May 8th)
- Chu-seok (Autumn - 15th day of the 8th lunar month)

Trade shows



[Seoul food and hotel](#)



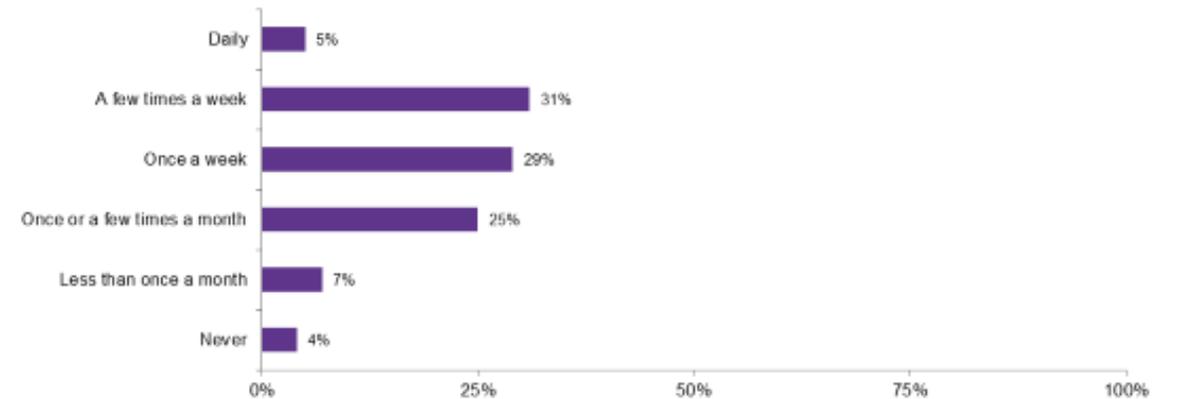
Food and beverage category trends - home cooking convenience

Home cooking convenience

- Urban busy lifestyles and often time poor
- Increasing demand for frozen meals
 - Frozen rice - school vacation/summer vacation
 - Korean soup and stew - traditional holidays/summer
 - Stir-fry dishes served with rice and cooked meat (e.g., pork hocks dish) - popular in early summer to late autumn
 - Frozen food that can be paired with alcohol - popular in summer

Frequency of food and drink activities Made a drink or meal with convenience foods (eg instant coffee, instant noodles)

How often have you done each of the following in the past three months?



Base: 1,000 internet users aged 18+

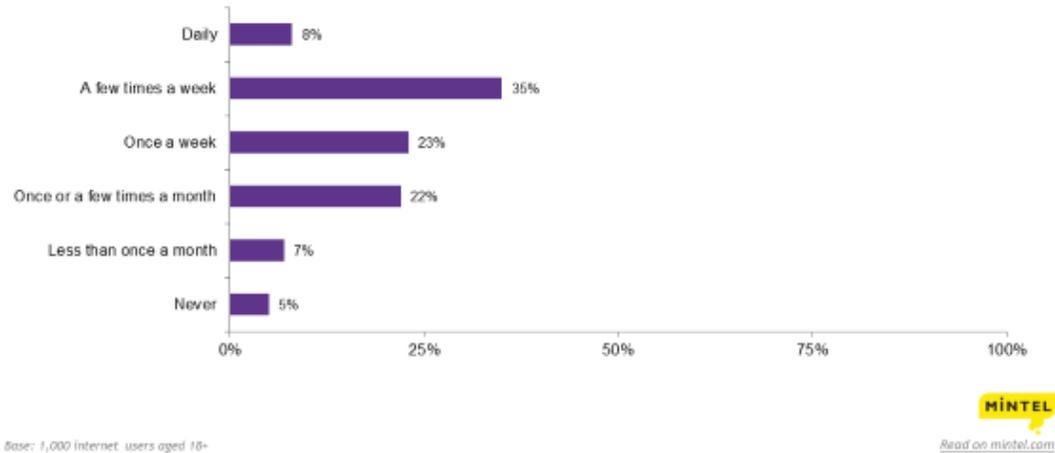




Home cooking convenience

Frequency of food and drink activities Used a time-saving cooking appliance (eg air fryer, microwave)

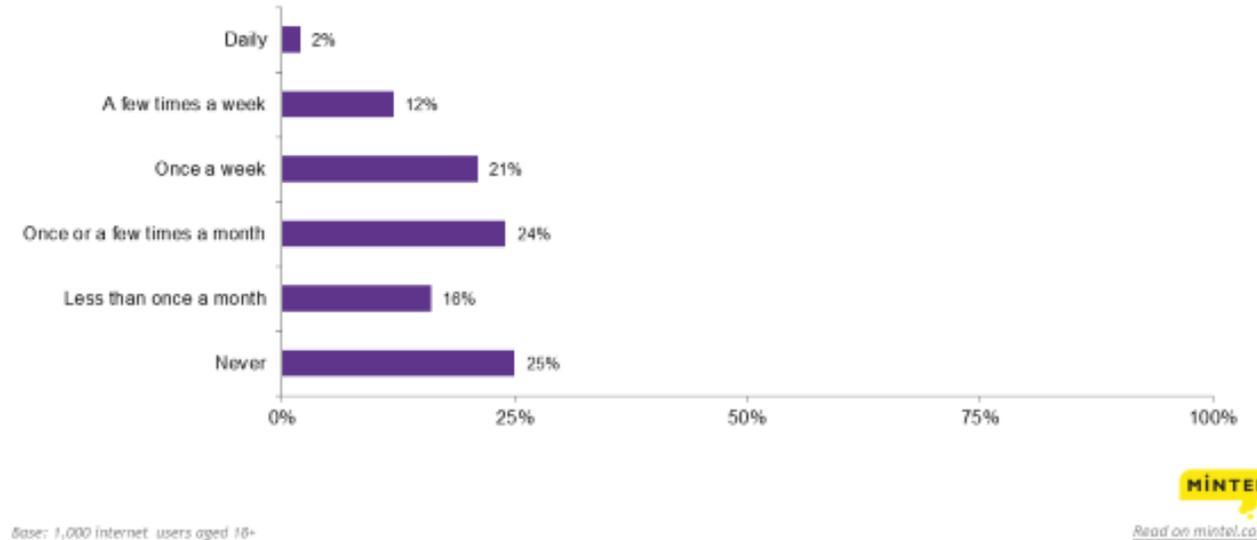
How often have you done each of the following in the past three months?



Base: 1,000 internet users aged 18+

Frequency of food and drink activities Used a meal kit (ie a retail, restaurant, or subscription service that provides ingredients and recipes to cook at home)

How often have you done each of the following in the past three months?



Base: 1,000 internet users aged 18+

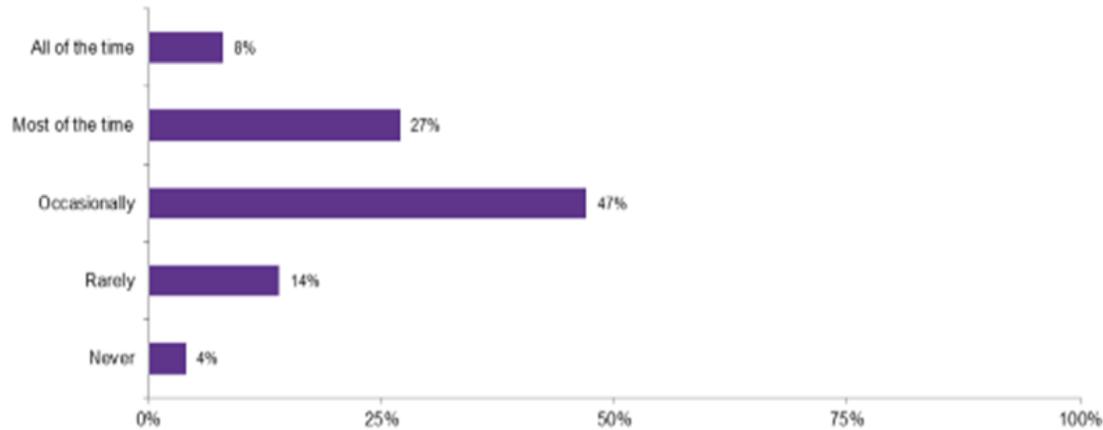
- Large population uses Air fryers for cooking
- Preference for convenient food and meal kits



Healthy and wellness

Food Tracker: Frequency of food behaviors Eat healthily

Typically, how often do you...?



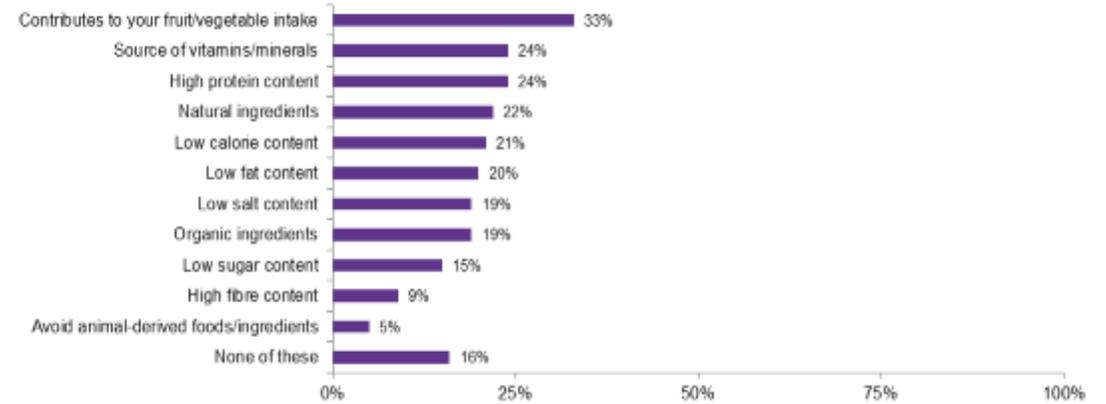
Base: 1,000 internet users aged 18+



Read on mintel.com

Food Tracker: Top factors when shopping for food

Which, if any, of the following factors are most important to you when shopping for food? Please select up to 3.



Base: 1,000 internet users aged 18+



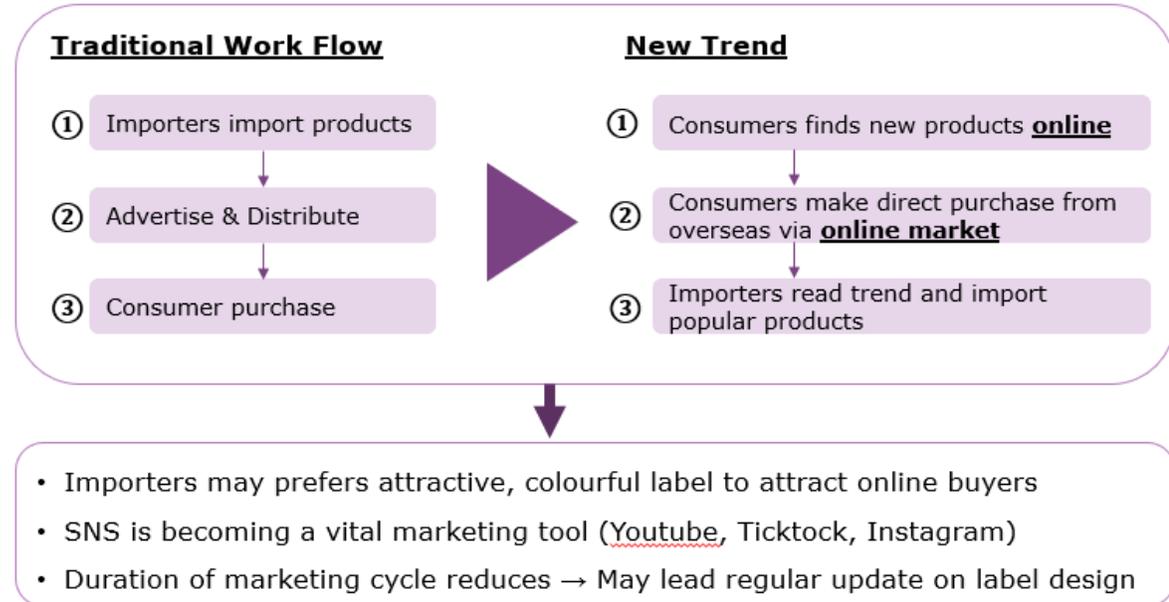
Read on mintel.com

- Growth of health food supplements, light food (low calorie), and immunity-boosting foods
- Preference for natural ingredients and non-GMO products



Digitally-savvy consumers

- High level of digital competence
- Popularity of products spreading fast through viral marketing and social media
- Need to localise to taste, language and marketing styles
- Engage with social media

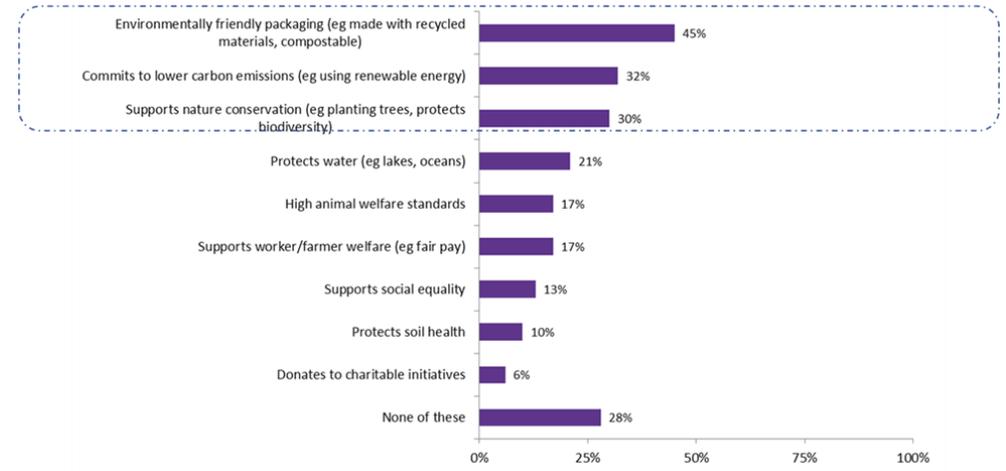




Packaging trends: Environment and sustainability

Companies are beginning to remove plastic label on the bottle, encouraging consumers to recycle, while creating environmentally-friendly image

Example Lotte Chilsung



- Korean conglomerate, Lotte, is running a campaign with its partners to recycle their no-label plastic bottle drinks
- Key trend in Korean market is plastic reduction and majority of companies are announcing their action plans to the public



Packaging trends: Clean label for dairy

Retailers prefer to use 'clean label' to create healthier image. No label is also a new trend for most companies.

Example Bingrae



Major dairy company, Bingrae, indicates number of ingredients used for the product.

Example Pulmuone



Pulmuone launched its first no-label yogurt in June 2021. Additional product range will also be launched without the label.



Packaging Trends: Snack packaging design changes depend on brand strategy

Example Nongshim



Korean-style prawn crackers had almost same label for last 42 years.

- Products tend to keep similar label design for the brand image, whereas some products continue develop unique shape and colourful designs

Example Orion



Orion introduces seasonal labels and packing every so often to attract young consumers.



Packaging trend: Fact based label for healthy snacks

Example Daesang protein bar

The image shows the packaging for Daesang Lightly Protein Bar. The packaging is white with a pink vertical band on the left. The top left features the text '맛있게! 가벼운!' (Tasty! Light!) above the brand name 'Lightly' in pink, with '라이틀리' (Lightly) in smaller text below it. To the right, the product name '파워프로틴바 카카오브라우니' (Power Protein Bar Cacao Brownie) is written in black. A red circular badge on the right side of the packaging says '단백질 36%' (Protein 36%). The pink band on the left contains the text 'PROTEIN 20g', 'FIBER 3g', 'SUGAR 1g', 'CACAO BROWNIE PROTEIN BAR', and '464g / 과자 (58g x 8개입) (1,880kcal, 235kcal x 8개입)'. At the bottom of the pink band, it says '연충원여' and '코코아데스 5.55%, 코코아분말 2.48%'. The packaging also features a stack of five brownie protein bars. Annotations with blue circles and arrows point to the 'Lightly' brand name, the product name, and the nutritional information band. A blue arrow points from the text 'Unique selling Point.' to the product name.

Product Name →

Key ingredients →

Unique selling Point. ←

- Contents of key ingredients and unique selling point highlighted



Labelling preference

Prefer printed label on the packaging; if retailers use stickers, they prefer those made with Polypropylene (P.P. stickers).

Example Printed label Sticker labels



Example Printed label Sticker labels



- They are aware that exporters usually have MOQ for the printed label and willing to negotiate available options
- Importers may prefer P.P. stickers as they are not easily peeled or changed over time

REGULATORY UPDATE



Key legislation on imported foods

- requires the labelling of product name, ingredients, manufacture and expiration dates (quality retention date), net contents, identity and principal place of business, and nutrition information, as well as sanitary instructions for safe storage and warnings on the packaging and container
- Labelling requirements and claims requirements
- Genetically modified organisms (GMO) and organics (NAQS), and recycling/packaging (ME) also have labelling standards.



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Key legislation on imported foods

Food additive requirements

- Standards and specifications of manufacturing, processing, using and preserving food additives

Chemical residues - Positive List System (PLS) - [Korea's MRL database](#)

- A default of **0.01mg/kg** applies for non-registered MRLs
- Temporary MRLs for agricultural products and foods will be removed on 1 January 2022

*Note the English versions are not up-to-date; make sure to check the up-to-date information on [MFDS' Korean website](#) or/and with commercial partners prior to exports.





Recent changes to regulations

1. Revised foreign food facility (business) registration procedure

*Registration link: https://impfood.mfds.go.kr/?locale=en_EN

2. Revised detailed inspection (lab testing) period

- Food products that underwent a detailed inspection for the first consignment and had a random sampling conducted within five years are subject to a detailed inspection after five years from the date of random sampling (from previously detailed inspection)





Recent changes to regulations

3. Recycling Regulations

Responsible ministries and agencies

- Ministry of Environment (ME) – www.me.go.kr and
- Korea Environment Corporation (KEC) – www.keco.or.kr
- A number of related notices and regulations have been introduced since Dec 2019
- Materials and structures of packaging are required to be graded and evaluated according to their recyclability, with this grading marked on the labels of the products.
- Packaging materials need to be evaluated and classified into four grades – *excellent, good, normal, and difficult to recycle*

More information can be found on the ME website and with your commercial partners in Korea.



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What other changes may be coming?

Amendments to Labelling Standards for Foods

- Korea advised the WTO on 15 September of proposed amendments to the Labelling Standards of Foods
- Comment period finishes on 11 October 2021
- Amendments include:
 - Requires statement of (a) the production year, (b) the production date (day, month and year) or (c) the packaging date (day, month and year) of foods in natural state
 - Recommends statement of the production date (day, month and year) of foods in natural state—not frozen, dried, salted or heat processed—packed in transparent packages
 - Recommends statement of net quantity of foods in natural state packed in transparent packages
 - A separate sign can be used for foods in natural state directly portioned and packed onsite in transparent packages and sold to final consumers



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IMPORTANT LINKS



ROK agencies responsibilities for imported food

Ministry of Food and Drug Safety (MFDS)

- Responsible for public health and food safety (including livestock, plant and fisheries)

Ministry of Agriculture, Food and Rural Affairs (MAFRA)

- Responsible for all agricultural policy and quarantine inspection of agricultural products, animal health issues and disease control

Animal and Plant Quarantine Agency (APQA) under MAFRA

- Responsible for the quarantine and inspection of imported animal and plant products

National Fishery Products Quality Management Service (NFQS) under Ministry of Oceans and Fisheries

- Responsible for quarantine and inspection of exporting and importing fish and fishery products

National Agricultural Products Quality Management Service (NAQS) under MAFRA

- Responsible for organic food

Ministry of Environment (ME)

- Responsible for recycling and packaging of goods including food
- Korea – Australia FTA official documents ([link](#))



THANK YOU

